

STATES OF ALDERNEY

ACCOUNTS 2018



STATES OF ALDERNEY

STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts they are required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time that the financial statements comply with The Government of Alderney Law, 2004, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the States of Alderney and to prevent and detect fraud and other irregularities.

The States Treasurer is responsible for maintenance and the integrity of the corporate and financial information included on the States' website, and for the preparation and dissemination of financial statements.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE POLICY AND FINANCE COMMITTEE

Our opinion is unmodified

We have audited the financial statements of The States of Alderney (the "States") which comprise the Summary Income and Expenditure Account for the year ended 31 December 2018, Summary of Balances as at 31 December 2018 and the related notes. The Financial Statements have been prepared under the accounting policies set out therein.

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2018, have been prepared, in all material respects, in accordance with the accounting policies set out in note 1 and The Government of Alderney Law, 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the States in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of Matter – Special Purpose Basis of Accounting

We draw attention to Note 1 to the Financial Statements, which describes the basis of accounting. The financial statements are prepared to assist the States to comply with the provisions of The Government of Alderney Law, 2004. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Respective responsibilities

Policy and Finance Committee and States Treasurer responsibilities

As explained more fully in their statement set out on page 1, the Policy and Finance Committee and the States Treasurer are responsible for: the preparation of the Financial Statements including being satisfied that they are prepared in accordance with the accounting policies set out in note 1; and such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

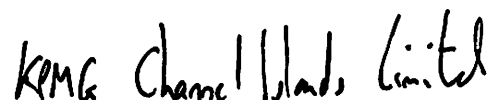
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Policy and Finance Committee (continued)***The purpose of this report and restrictions on its use by persons other than the States***

This report is made solely to the States, in accordance with section 61 of The Government of Alderney Law, 2004. Our audit work has been undertaken so that we might state to the States those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "KPMG Channel Islands Limited". The signature is written in a cursive, flowing style.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

15 May 2019

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

- a. Revenue income and expenditure account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate.
- b. Capital expenditure is written off in the year in which it is incurred. Depreciation is therefore not provided.
- c. The States of Alderney 1982 pension scheme has been presented as far as practicable having regard to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Pension costs charged to the Summary Income and Expenditure Account are the contributions paid in line with the latest actuarial valuations, see note 2 for further details; other movements in the net pension liability are not reflected in the Summary Income and Expenditure account.

2. PENSION COSTS

The States of Alderney 1982 Pension Scheme

The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of this scheme are held separately from those of the States in an independently administered fund which up until 2013 were invested with Aviva.

Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role. In 2015 the investment management services were further improved to ensure that the portfolio and underlying funds are continually monitored by specialist and portfolio managers. In September, 2016 Aviva were appointed as Scheme Actuary with Gower Financial Services Limited continuing to provide administrative and investment support.

In preparing the disclosures for the States of Alderney (the "States") accounts, the States have noted the disclosure requirements of FRS 102, section 28. The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 1 January 2017, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, rolled forward and adjusted to 31 December 2018 for key changes in assumptions. The pensionable salary growth has been directly linked to the inflation assumption. As the scheme is now closed to new entrants, those remaining in the scheme have no further known increments due, and pay awards have been, and are expected to be, lower than UK inflation assumption figure in the foreseeable future.

STATES OF ALDERNEY**NOTES TO THE ACCOUNTS - continued****2. PENSION COSTS (continued)**

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2018	Valuation at 31 December 2017
Pensionable salary growth	3.3% pa	3.1% pa
Pension escalation in payment		
– to 31.12.2009	4.0% pa	4.0% pa
– from 01.01.2010	3.0% pa	3.0% pa
Discount rate	2.8% pa	2.5% pa
Inflation assumption	3.3% pa	3.1% pa

The assets in the scheme and the expected rate of return were:

	2018	2017
Fair value of plan assets	£5,388,000	£5,894,000
Present value of funded obligations	(£9,939,000)	(£10,196,000)
Deficit in the scheme	(£4,551,000)	(£4,302,000)
Net pension liability	(£4,551,000)	(£4,302,000)

The balance sheet position of the Scheme has deteriorated by £249,000 over the year.

This is mainly as a result of the employer contributions being less than the cost of a year's accruals of benefits on the FRS 102 basis, together with the actual return on assets over the accounting period being lower than the interest income. These factors have been partially offset by actual pensionable salary growth increasing at a lower rate than expected and, overall, the actuarial assumptions adopted have reduced the present value of the liabilities.

In regard to early retirement assumptions, as in 2017, the valuation assumes that 25% of active members and all deferred members who have the option to retire on an unreduced pension at age 60 will do so.

Over the year to 31 December 2018 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy.

In 2018 Employer premiums amounted to £125,079 (2017: £123,067), and Employee premiums were £40,651 (2017: £39,537). Included in these amounts are pensions costs related to the Water Board, which is paid by the States of Alderney and recharged to the Water Board. The total pension charge to the Water Board for the year was £26,202 (2017: £25,959)

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS – continued

2. PENSION COSTS (continued)

The States of Alderney 2013 Pension Scheme

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. There were 6 new entrants to the scheme during 2018. The employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

In 2018 the Employer premium amounted to £50,401 (2017: £38,530), and the Employee contribution amounted to £38,584 (2017: £31,463). Included in these amounts are pensions costs related to the Water Board, which is paid by the States of Alderney and recharged to the Water Board. The total pension charge to the Water Board for the year was £1,755 (2017: £2,273).

In addition the Employees Death in Service policy amounted to £14,719 (2017: £11,866), relating to both Schemes. Of this amount £1,965 related to the 2013 Scheme members, and £12,754 related to the 1982 Scheme members. Included in these amounts are costs related to the Water Board, which is paid by the States of Alderney and recharged to the Water Board. The total charge to the Water Board for the year was £2,678 (2017: £2,456) for the 1982 scheme and £157 (2017: £95) for the 2013 scheme.

3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2018 the States purchased goods and services from the Water Board to the value of £17,029 (2017: £15,765), and provided goods and services to the Board to the value of £82,666 (2017: £69,852). Capital grants to the Water Board in 2018 totalled £95,000 (2017: £166,000).

The Royal Connaught Residential Home Limited is a States owned company. During 2018 the States provided goods and services to the company to the value of £1,350 (2017: £56). Capital expenditure on Connaught projects in 2018 totalled £101,881 (2017: £95,188).

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the company. In 2018 the value of these purchases were £166,553 (2017: £1,284,051). It should be noted however that the 2017 figures included capital payments in respect of the improvements to the distribution network. The States has provided goods and services to the company during 2018 to the value of £68,376 (2017: £60,358).

Mr I. Tugby was a member of the States of Alderney in 2018, and is also the beneficial owner of Tugby Contractors Ltd. During 2018 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £9,549 (2017: £3,635).

Mr M. Dean is a member of the States of Alderney, and is also the beneficial owner of Auto-Motion. During 2018 the States of Alderney purchased goods and services from Auto-Motion to the value of £270 (2017: £702).

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS – continued

4. BUDGET APPROVALS

The original budget for 2018 was approved by the States of Alderney at the meeting held on 18 October 2017, with the revised budget approved by the States of Alderney on 10 October 2018.

5. ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £4,885,500 (2017: £4,432,500) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis. In 2018 the surplus received from the Commission amounted to £2,642,107 (2017: £1,972,649). An extract from the Alderney Gambling Control Commission's financial statements for 2018 will be available to the States in June 2019.

6. ALDERNEY eGAMBLING LIMITED

During 2018 Alderney eGambling Ltd (AeGL), a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. As reported in 2017, it was agreed that the advisory and consultancy services to regulators, previously undertaken by Alderney eGambling Advisors Limited, would be transferred to the responsibility of the AeGL and this alteration to duties continues to work well. A report on the company's activity and accounts for 2018 will be available to the States in June 2019.

7. ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States of Alderney as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. ACRE again required a subsidy in 2018 of £237,000. Of this, £130,000 related to legal fees with regards to non-payment of Block Fees. Provision has been made in the 2019 budget for a further subsidy. A report on the Commission's activities and accounts for 2018 will be available to the States in June 2019.

8. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED

The Royal Connaught Residential Home Limited is a States owned company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2018 will be available to the States in 2019.

9. ECONOMIC DEVELOPMENT RESERVE FUND

The Economic Development Reserve Fund has been approved as being funded by Alderney Gambling Control Commission reserves at £300k per annum. As this is a fund, any unspent balances are carried forward into the following year, and as such is now being shown as a separate fund on page 10. The balance of the fund as at year end amounted to £293,931.

States of Alderney Summary Income and Expenditure Account 2018

Accounts			Revenue Income and Expenditure			Accounts		
Exp.	2017 Inc.	Net				Exp.	2018 Inc.	Net
£	£	£				£	£	£
368,864	33,340	335,524	Operational activities			87,539	43,743	43,796
			Building and development control services					
			General Services					
1,270,691	22,770	1,247,921	States Works			1,380,013	24,347	1,355,666
26,789	20,817	5,972	Recreation			30,174	22,020	8,154
47,476	-	47,476	Fire Brigade			49,738	-	49,738
22,300	-	22,300	Civil Emergency			22,735	-	22,735
28,999	-	28,999	Grants			37,796	-	37,796
353,245	315,732	37,514	Alderney Harbour			390,679	324,975	65,704
			Policy and Finance					
1,002,974	40,938	962,036	Corporate and democratic services			846,442	32,961	813,481
170,269	86,824	83,445	Court			185,800	78,991	106,809
216,183	11,734	204,449	Tourism and marketing			206,140	13,830	192,310
32,010	-	32,010	Education and health			27,232	-	27,232
77,245	60,795	16,451	Social and welfare services			11,741	-	11,741
118,692	-	118,692	Grants			290,247	-	290,247
3,735,737	592,949	3,142,788	Cost of services			3,566,276	540,867	3,025,409
			Other operating income					
		156,412	Property and land rents-GSC					155,430
		42,574	Rents - PFC					45,109
		22,365	Interest receivable					54,372
		46,893	Vehicle import licence fees					45,705
		135,572	Numismatic and philatelic profits					163,674
			Property and other taxation/grant income					
		1,847,400	Grant from States of Guernsey (Net)					1,891,250
		498,916	Occupiers Rates					530,613
		277,307	Property Transfer Duty					253,887
		25,000	Duty free concession					25,000
		(90,351)	Surplus/(Deficit) on provision of services					139,631
		(5,504)	Transfer to coin reserve					(3,055)
		(95,855)	Surplus/(Deficit) for the year					136,576
		95,855	Transfer from AGCC Reserves					-
		0	Balance Year End					136,576
Accounts			Capital Income and Expenditure			Accounts		
Exp.	2017 Inc.	Net				Exp.	2018 Inc.	Net
£	£	£				£	£	£
1,027,004	-		General Services Committee			793,992	-	
1,153,346	-		Policy and Finance Committee			158,480	-	
300,000	-		Transfer to Economic Development Fund			300,000	-	
95,855	-		Transfer to Revenue Account (from AGCC Reserves)			-	-	
2,576,205	-	2,576,205	Total capital expenditure			1,252,472	-	1,252,472
			Sources of Funding					
-	1,972,649		AGCC profit transfer			-	2,642,107	
-	-		Exceptional income			-	-	
-	5,000		Asset sales			-	37,510	
-	1,000		Other			-	28,697	
-	1,978,649	1,978,649	Total capital income			-	2,708,314	2,708,314
		(597,556)	Surplus/(Deficit)					1,455,842

The summary of the accounts were approved by the Policy and Finance Committee on 14th May 2019 and are signed on its behalf by:

Mr J D Dent
Chairman, Policy and Finance Committee

States of Alderney Summary Income and Expenditure Account 2018

31st December 2018 (final)

Revised Budget 2018			Revenue Income and Expenditure	Accounts 2018		
Exp. £	Inc. £	Net £		Exp. £	Inc. £	Net £
91,750	33,000	58,750	Operational activities			
			Building and development control services	87,539	43,743	43,796
			General Services			
1,436,080	23,400	1,412,680	States Works	1,380,013	24,347	1,355,666
33,000	21,680	11,320	Recreation	30,174	22,020	8,154
49,650	-	49,650	Fire Brigade	49,738	-	49,738
22,600	-	22,600	Civil Emergency	22,735	-	22,735
31,180	-	31,180	Grants	37,796	-	37,796
396,950	309,075	87,875	Alderney Harbour	390,679	324,975	65,704
			Policy and Finance			
894,678	28,750	865,928	Corporate and democratic services	846,442	32,961	813,481
187,400	66,800	120,600	Court	185,800	78,991	106,809
222,800	13,500	209,300	Tourism and marketing	206,140	13,830	192,310
30,900	-	30,900	Education and health	27,232	-	27,232
16,300	-	16,300	Social and welfare services	11,741	-	11,741
289,780	-	289,780	Grants	290,247	-	290,247
3,703,068	496,205	3,206,863	Cost of services	3,566,276	540,867	3,025,409
			Other operating income			
-	157,397	157,397	Property and land rents - GSC	-	155,430	155,430
-	45,100	45,100	Rents - PFC	-	45,109	45,109
-	57,500	57,500	Interest receivable	-	54,372	54,372
-	45,000	45,000	Vehicle import licence fees	-	45,705	45,705
-	161,000	161,000	Numismatic and philatelic profits	-	163,674	163,674
			Property and other taxation/grant income			
-	1,891,250	1,891,250	Grant from States of Guernsey (Net)	-	1,891,250	1,891,250
-	532,500	532,500	Occupiers Rates	-	530,613	530,613
-	200,000	200,000	Property Transfer Duty	-	253,887	253,887
-	25,000	25,000	Duty free concession	-	25,000	25,000
		(92,116)	Surplus/(Deficit) on provision of services			139,631
		105,000	Transfer from AGCC Reserves			-
		(1,500)	Transfer to coin reserve			(3,055)
		11,384	Surplus current year			136,576

Revised Budget 2018			Capital Income and Expenditure	Accounts 2018		
Exp. £	Inc. £	Net £		Exp. £	Inc. £	Net £
1,671,000	-	1,671,000	General Services Committee	793,992	-	793,992
321,000	-	321,000	Policy and Finance Committee	158,480	-	158,480
300,000	-	300,000	Transfer to Economic Development Fund	300,000	-	300,000
105,000	-	105,000	Transfer to Revenue Account	-	-	-
2,397,000	-	2,397,000	Total capital expenditure	1,252,472	-	1,252,472
			Sources of Funding			
-	1,620,000	1,620,000	AGCC profit transfer	-	2,642,107	
-	37,510	37,510	Asset sales	-	37,510	
-	24,700	24,700	Other	-	28,697	
	1,682,210	1,682,210	Total capital income	-	2,708,314	2,708,314
		(714,790)	Surplus/(Deficit)			1,455,842

STATES OF ALDERNEY

Summary of Balances at 31 December 2018

<u>COINS IN CIRCULATION</u>					£
Value of coins in circulation at 01.01.18					4,105,295
Value of coins issued in 2018					11,842
					4,117,137
Less: Value of coins withdrawn from circulation					(792)
Value of coins in circulation at 31.12.18					4,116,345
<u>CURRENCY RESERVE FUND</u>					
Balance at 01.01.18					576,524
Reserve for base metal coins issued in 2018					3,847
					580,371
Less: Value of coins redeemed					(792)
Transfer of funds to SoA Revenue Account					
Balance at 31.12.18					579,579
<u>INSURANCE DEDUCTABLE RESERVE ACCOUNT</u>					
Balance at 01.01.18					304,434
Transfer to Reserve 2018					27,058
Balance at 31.12.18					331,492
<u>ECONOMIC DEVELOPMENT RESERVE FUND</u>					
Income	AGCC funding - (accumulation of 2014-2017 balance)				272,155
	AGCC funding 2018				300,000
Expenditure 2018	ED Administration/Consultancy	88,836			
	Small Business Start Up grants (ex YES)	-			
	Review of Financial Relationship	154			
	Airlines - Independent Advice on PSO (50% share with SoG)	4,650			
	Island's Tourism Product (Niche Tourism)	435			
	Transport Strategy Advice	7,778			
	Marine Management Plan - WCMC	4,016			
	Marine Management Implementation	1,736			
	New Sea Ferry Service Subsidy	69,386			
	Digital Connectivity - E-enabling Alderney	83,427			
	Tourism & Marketing - Delivery and Strategy Development	2,452			
	Tourism & Marketing - Enhanced Digital Marketing	3,223			
	Alderney Island Pride	2,610			
	Review of Governance	3,517			
	Fort Tourgis - due diligence/consultancy etc	6,004			
Total expenditure 2018					278,224
Balance carried forward at 31.12.18					293,931
<u>INVESTMENTS</u>					
<u>2017</u>			<u>2018</u>		
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£	
		Ordinary Shares at £1 each fully paid at cost			
1,146,090	39,860	Balance at 01.01.18 and 31.12.18	1,146,090	39,860	
<u>2017</u>			<u>2018</u>		
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£	
		7% Cumulative Preference Shares			
		at £1 each fully paid at cost			
11,150	5,659	Balance at 01.01.18 and 31.12.18	11,150	5,659	
<u>2017</u>			<u>2018</u>		
SHARES	£	<u>Alderney eGambling Ltd</u>	SHARES	£	
		Ordinary Shares at £1 each fully paid at cost			
1	1	Balance at 01.01.18 and 31.12.18	1	1	
<u>2017</u>			<u>2018</u>		
SHARES	£	<u>Alderney Golf Club</u>	SHARES	£	
		Shares at £1 each fully paid at cost			
650	650	Balance at 01.01.18 and 31.12.18	650	650	
<u>2017</u>			<u>2018</u>		
SHARES	£	<u>Royal Connaught Residential Home Ltd</u>	SHARES	£	
		Shares at £1 each fully paid at cost			
2	2	Balance at 01.01.18 and 31.12.18	2		

STATES OF ALDERNEY

Summary of Balances at 31 December 2018 (continued)

2017	Bank accounts	2018
£	<u>Daisy Hansen St Anne's School Trust</u>	£
914	Balance at 01.01.18	879
-	Interest received	-
914		879
(35)	Audit report	-
-	School Prize	(25)
879	Balance at 31.12.18	854
	<u>The Anne French Hospital Annexe Fund</u>	
12,850	Balance at 01.01.18	12,914
104	Interest received	97
12,954		13,011
(40)	Audit report	-
12,914	Balance at 31.12.18	13,011
	<u>States of Alderney Interest on Investments Account</u> <u>(Educational Bequests)</u>	
978	Balance at 01.01.18	978
-	Interest received	-
978		978
-	Grants	(978)
-	Audit Reports	-
978	Balance at 31.12.18	-
	<u>The Packe History Trust</u>	
1,479	Balance at 01.01.18	1,459
-	Interest received	-
1,479		1,459
(20)	School History Prize	(20)
1,459	Balance at 31.12.18	1,439
	<u>Alderney Pilotage Board</u>	
500	Balance at 01.01.18 and 31.12.18	600
	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
15,705	Balance at 01.01.18	17,433
1,728	Interest received	311
17,433		17,744
-	Grants	-
17,433	Balance at 31.12.18	17,744
	<u>St Anne's Trust</u>	
33,108	Balance at 01.01.18	33,377
269	Interest received	250
33,377		33,627
-	Grants	-
33,377	Balance at 31.12.18	33,627
	<u>The New Parsonage House Trust</u>	
74,897	Balance at 01.01.18	75,439
6,986	Interest received	1,137
81,883		76,576
(6,444)	Maintenance costs	(3,750)
75,439	Balance at 31.12.18	72,826
	<u>Charitable Trust Fund</u>	
182,165	Balance at 01.01.18	171,852
1,424	Interest received	1,198
183,589		173,050
(11,529)	Grants issued in year	(22,019)
(208)	Bank and general administration costs	(241)
171,852	Balance at 31.12.18	150,790